



Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Sister Cities International, Inc.

The Department of State, Office of Inspector General contracted with Regis & Associates, PC, Certified Public Accountants, to perform agreed-upon procedures to determine whether the indirect cost rates proposed by Sister Cities International, for the years ended December 31, 2006, 2005, 2004, and 2003, complied with applicable regulations.

The independent accountants found Sister Cities' accounting system to be adequate for accumulating and reporting indirect costs under the provisions of the Office of Management and Budget (OMB) Circulars A-122, Codified at 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, and A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*. However, the independent accountants noted that the proposed indirect costs for 2005, 2004, and 2003, included \$34,054 of unsupported charges and \$2,914 of unallowable charges for alcoholic beverages that contravene the provisions of OMB Circulars A-110 and A-122. Accordingly, the independent accountants questioned these unsupported and unallowable costs.

The independent accountants found that except for the questioned costs, the indirect cost rates proposed by Sister Cities for 2006, 2005, 2004, and 2003 were properly calculated, and the indirect cost rate structures complied with the provisions of OMB Circular A-122. The independent accountants recommended that the Department accept and finalize the indirect cost rates for these years, as recommended in the report.

The work for OIG Report AUD/CG-08-11 was conducted by Regis & Associates, PC. This is an unclassified summary of a full report, which may receive limited official distribution.

Office of Inspector General

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